



Title: I, Payroll/Personnel Manual

Chapter:

Bulletin: Title I, 04-16, Year-End Salary Offset Tax Issue

Date: October 28, 2004

To: Holders of the Payroll/Personnel Manual

This bulletin is being issued to remind agency personnel that bills established in calendar year 2004 **related to gross income adjustments** should be paid in full by December 31, 2004, to avoid negative tax consequences. It also serves as a reminder that bills impacting gross income should **not** be established at or near the end of the calendar year whenever possible. Bills established for Federal Employees Health Benefits (FEHB) premiums generally have no gross income implications.

Those employees who received a “Notice of Intent to Offset Salary” related to gross income adjustments need to be aware that if the debt is not paid in full by December 31, 2004, the outstanding amount of the debt will be added to the gross income amount on their W-2 at year-end. This is necessary since the gross overpayment and all deductions were backed off the employee’s W-2 file in the pay period that the debt was processed. Therefore, employees will be responsible for paying income taxes on the outstanding amount when they file their returns for 2004. This adjustment to the W-2 is necessary to comply with Internal Revenue Service regulations.

In order to allow for due process, salary offsets are generally delayed for 30 days as required by the Debt Collection Act of 1982. However, if after discussing the information above with your employees, some employees wish to have offsets taken from their salary in an earlier pay period or to have the full amount of the outstanding debt deducted from their salary, the personnel office should fax a written request to **(504) 426-9757** or e-mail it to nfc.abco@usda.gov, or call the number provided on the “Notice of Intent to Offset Salary” by **December 14, 2004**.

If the employee wishes to write a check for the full amount of the outstanding debt, the check must be received by **December 31, 2004**. Checks should be mailed to the following address:

USDA-NFC
Administrative Collections Unit
P.O. Box 61765
New Orleans, LA 70161

Note: Please instruct the employee to include his/her **social security number** and the **bill number** on the check. **Due to the pre-tax benefit of FEHB premiums deducted from salary, check remittances are not recommended for FEHB bills of on-the-roll employees.**

Personnel offices may contact the Administrative Billings and Collections Section at (504) 255-5344 with any questions regarding this notice.



MARK J. HAZUDA, Director
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